

Examiners' Report

June 2024

GCE Economics A 9EC0 02

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Introduction

The focus of 9EC0 02 exam is on macroeconomics, drawn from Themes 2 and 4 of the specification. The 2024 paper was very accessible. The extracts worked well and were surprisingly relevant, given that there is now a bank of papers that are randomly chosen for the exam and the paper setters do not know which paper will be used. The feedback from centres has been that the questions were fair, transparent and tested a broad range of the Specification. The parts that were largely untouched many assumed would appear on Paper 3, although this cannot be guaranteed because of the banking of the papers described above.

Candidates' answers to many of the questions on this paper have been of a pleasingly high standard. All questions were accessible to the candidates, and Section A was particularly accessible to most candidates. There were many very high-quality answers from candidates demonstrating an excellent grasp of the key macroeconomic issues as well as an ability to synthesise their knowledge with the real world of economics. On the other hand, some answers demonstrated a more superficial understanding. Overall, there was evidence that the teaching and learning on the paper has become more confident, and the use of past papers, mark schemes and examiner reports has been of great value as resources to prepare for this exam.

In Section A, candidates demonstrated their understanding of a range of key economic concepts, most notably the ability to recall and use the multiplier formula, and the effective use of a tariff diagram (although not *required*). Where candidates often lost marks in this section was in not ensuring their answers were completely correct – e.g. as usual there is the problem in distinguishing between percentage point changes and percentage changes, between measuring differences rather changes in totals.

In Section B, the focus was on the UK economy, and the data on changes in tax changes was extremely up to date (there was information in Figure 4 on 2024 in the 2024 paper). This shows the importance particularly in macroeconomics that the candidates have real world understanding of contemporary issues. In the run up to the exams there was a March budget it would have been extremely useful to have read about and studied, given that the concept of raising tax revenues by keeping thresholds the same was one of the key features, written about in every quality news release. Reading the question carefully and ensuring that is what you are writing about is always an incredibly important thing that candidates must remember.

In Section C, question 8 was significantly more popular with candidates, by a factor of 5 to 3 (approximately). Candidates offered a range of answers with discussing different solutions for solving a current account deficit, and the number of candidates referring to a fiscal deficit were happily very small this year. Question 8 was however more problematic, because while most answers could list several factors contributing to globalisation (only two would have been sufficient), it seemed very difficult to evaluate these in a meaningful way. High quality answers here met the criteria we are looking for on our levels mark schemes for the top levels – in particular relating answers to the real world and not simply being theoretical and having strong, well-developed chains of argument. Quality evaluation focused on the context that the candidate had chosen.

Candidates need to remember to familiarise themselves with the structure of the exam and how they will be assessed on their answers in advance of any exam. As has consistently been the case for this exam series, for questions up to and including 8 marks, marks are awarded on a points-based system, and for the rest of the questions, it is levels-based. For the points-based marking students need to be concise and accurate in their answers – there were some very long answers to 4-mark questions that achieved the full 4 marks about halfway through the answer, but the candidate kept writing for a lot further. This is using up important time that could be better spent writing longer, more detailed chains of argument in the longer questions. Candidates should also remember that in the 8-mark question there are 2 marks for evaluation – many candidates are still not offering an evaluation of their points in this question, and thus missing out on these marks.

Question 1 (b)

This question tested whether the skills of this economist candidate include the use of data, and the majority found the 10% savings ratio.

Some students misinterpreted the graph (1ap mark for reading off the savings level) but almost all students could calculate the percentage and score one mark that way. The only issue noticed with this question was that the 'quarter' markers did not tie up with the year changes, and were marking the end of the quarters rather than the start. This is a fair way to illustrate data, but not one that many students might be used to.

This a lovely, clear and correct answer.

(b) In Q4 of 2015 average household disposable income was £26 300.

Calculate the total amount of money saved by the average household in Q4 of 2015.

(2)

$$Q4-2015 = £26,300.$$

$$\text{saved} = 10\%$$

$$26,300 \times 0.1 = £2630 \text{ saved}$$



1 mark for data use, and 1 mark for correct calculation.



Always show your working.

It is imperative not to give 'subsequent information' that contradicts your answer. If you add something to your answer that makes it incorrect, we cannot allow this as fully correct.

(b) In Q4 of 2015 average household disposable income was £26 300.

Calculate the total amount of money saved by the average household in Q4 of 2015.

(2)

10% of 26300 = 2630

26300 - 2630 = £ 23 670



ResultsPlus
Examiner Comments

This is a tragedy – the workings did include the correct answer, but the answer finally presented was not correct, so only 1 mark could be awarded.



ResultsPlus
Examiner Tip

Underline your final answer, and make sure you show the **savings** as requested.

Question 1 (c)

In this 2-mark question there were no application marks (as the application was given in 1b), although most candidates did write further about the data. 2 mark 'explain' questions are not application marks, according to the Test Specification, which examiners have to use when setting papers.

Although over this period, interest rates did not rise and were very low, we awarded rising in interest rates because there were no application marks and as a theoretical factor this could well have been a cause of the rise in savings, and this meant that most candidates scored very highly on this question. The most common answer was, unsurprisingly, Covid, and although again this is not on the specification it had to be allowed that a loss in confidence in the economy, potential fears of falls in income or the inability to spend money might cause people to save more.

Do not waste time in short answer questions like this by using the data. It asks for a reason, and you have to explain that reason. There is no application mark here.

(c) Explain **one** likely reason for the change in total household savings from Q1 2020 to Q2 2020.

Q₁ 2020 = 6%

Q₂ 2020 = 25%

(2)

one reason for the change in savings from 6% in Q₁ (2020) to 25% in Q₂ (2020) is due to lack of confidence in the economy. This may have been due to the outbreak of COVID. Less confidence in the economy results in an increase in savings as consumers reduce their consumption and save to be financially secure in a potential recession they may see could occur

(Total for Question 1 = 5 marks)



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Examiner Comments

This earns 2/2 but too much time has been spent here.



ResultsPlus
Examiner Tip

Do not feel you have to use every line given. The marker is looking for the reason, then the explanation. There is no 'hidden' data expectation.

Interest rates did not of course rise over this period, but because they are a 'likely reason' for a change in savings, this argument was awarded.

(c) Explain **one** likely reason for the change in total household savings from Q1 2020 to Q2 2020.

(2)

Interest rates increase will cause marginal propensity
to save to increase



ResultsPlus
Examiner Comments

1 mark for identifying the rise in interest rates. The analysis does follow from the reasoning so this scores full marks.



ResultsPlus
Examiner Tip

Short answers are highly recommended for Section A. If you fill up all the lines there is a huge opportunity cost.

Question 2 (b)

For several years in a row there has been a test of the distinction between percentage changes and percentage point changes, and at last the penny seems to have dropped. This subtraction was simple but implies quite deep understanding of the important distinction. Interestingly some of the highest achieving candidates over-complicated the question and chose the percentage change instead.

Look carefully at whether the question is looking for CAUSE or EFFECT.

(b) With reference to the data, explain **one** likely effect of the fall in investment in 2020.

(4)

a fall in investment would likely be due to a fall in ~~consumer~~ ~~business~~ confidence. The initial fall of 24.2% to 23.5% a 2.1 percentage points may have led to ^{individuals} firms being more hesitant to invest ^{as a fear of less return} in the European union and therefore lead to the even further fall from 23.5% in April to 20.8% in October.



ResultsPlus
Examiner Comments

There is a sense of hesitancy but essentially this answer confuses cause and effect.



ResultsPlus
Examiner Tip

A question like this is unlikely to be the same as the Q1 question asking about rises in savings. Remember that the examiner needs to look for new material from you, not repetition.

A short answer such as this can get 4 marks.

(b) With reference to the data, explain **one** likely effect of the fall in investment in 2020.

(4)

A fall in investment in 2020 from 24.2% to 20.8% is likely to cause economic growth to decrease. as ~~econom~~ investment is a component of AD, $AD = C + I + G + (X - M)$, if investment falls, AD will fall. This causes a decline in RGDp and therefore a decline in economic growth.



Second K is a soft mark: good example.

Reference to data without the month is appropriate.

There is clearly analysis – shown with the words 'causes' or 'therefore'.



Short answers are effective, but make sure you refer to the data precisely – here the candidate does show the whole year of 2020 not just the months referred to in question 1a.

Question 3 (a)

This question seemed to differentiate well, although the extract was very helpful as a guide so very few answers gained zero marks. Many students did well if they read the data carefully.

- Market rigging is to be briefly explained for 1 mark.
- Examples not in the data are appropriate for Application marks although there were many pieces of data that could be used.
- Answers can discuss prices going up or down as part of collusion, but it is important to explain this in context, e.g. prices of financial products for consumers will rise, but prices of trading activities between banks would fall.

3b This question also felt very accessible.

Several students linked to the **causes** of falling investment rather than effects, and wrote almost the same answer as the one given for the rise in savings 1c. The advice to students is that if it feels as if the question is asking for the same thing it is wise to go **back** to the question, **underline** the key terms, and **go over** the reasoning again (the so-called 'bug' technique).

Notes to candidates

- There is always at least one application mark for a 4-mark question, so if causes not effects are discussed, they can still get an application mark.
- % change is fine to discuss here, but it is unwise to use the percentage point change given from April to July specifically, because that mark has already been awarded in 2a and to re-award would be double awarding.
- The data asks for the whole of 2020 so it is unwise to refer to a small part of it (April to July). Look for the more general trend if you can.

In a 4 mark question, you must always use some data, but you must also show some sense of analysis (BLT, because, leads to or therefore). Just listing definitions is knowledge and cannot be awarded as analysis.

- 3 A group of banks, including Barclays and JP Morgan, have been fined more than €1 billion, by the EU's competition authorities for rigging the foreign exchange market after the Global Financial Crisis of 2008. The EU found that traders at the banks had used online chat rooms to share information about customers' orders, prices and other trading activities in order to manipulate the currency markets.

(Source: adapted from <https://www.ft.com/content/73163fa0-77c5-11e9-bbad-7c18c0ea0201>)

- (a) With reference to the information above, explain what is meant by 'market rigging'.

(4)

Market rigging is a form of market failure in the financial market, it is when traders manipulate the prices of financial assets via sharing customer information etc. Barclays and JP Morgan have been found doing this, therefore have been fined €1 million.



ResultsPlus
Examiner Comments

2 K 1 Ap but no An so max of 3.



ResultsPlus
Examiner Tip

B.L.T. is analysis! Because, leads to and therefore and 'linking words' that illustrate an analytical process. There are of course many other linking words you could use. You need to remember that definitions are knowledge marks, and you have to make a step in your reasoning to gain the analysis mark.

This is a good answer, and the analysis and application stand out.

- 3** A group of banks, including Barclays and JP Morgan, have been fined more than €1 billion by the EU's competition authorities for rigging the foreign exchange market after the Global Financial Crisis of 2008. The EU found that traders at the banks had used online chat rooms to share information about customers' orders, prices and other trading activities in order to manipulate the currency markets.

(Source: adapted from <https://www.ft.com/content/73163fa0-77c5-11e9-bbad-7c18c0ea0201>)

- (a) With reference to the information above, explain what is meant by 'market rigging'.

(4)

Market rigging is where firms will collude with each other to generate more profits for their businesses. With the traders at the bank sharing consumers' orders, prices and other trading activity, they can manipulate the market in their favour. They would do this by seeing what's in high demand for the consumer, compare each other's prices of their products to raise or lower them which results in them getting more profits and revenue.



Clearly 4 marks – and probably could have stopped well short of the last line given!



Make sure you include analysis, such as the 'which results from' in this answer.

Question 4 (b)

4a This question felt very familiar and the mean score was high. The only errors seem to have arisen from the negative words in A and D (discourage, and restrict) which sometime cause processing errors when students are under mental and time pressure.

4b This again felt like an approachable question for many candidates. Although it appears easy at the outset it surprises examiners that very many students each year drop marks on making calculation errors, for example.

- $1/mpc$ and $1/(mpc-1)$ are common errors.
- Missing units (millions) 3 out of 4

Do note that

- £ sign not needed.
- Answer alone can get full marks on a calculation question, so there is no need to define or explain your answer.
- If you have the correct multiplier you can get 3 out of 4, so it is very wise to show your working, even if you make a mistake at the end.

Make sure the answers seems right and logical. If students put 6.67 million this does not feel right as a total if the government has spent £60 million, when G is clearly part of AD.

It is important to think about units (e.g. millions) and using a % sign here makes it seem there is some confusion going on.

(b) In July 2020 a survey estimated that the marginal propensity to consume in the UK was 0.1.

(Source: adapted from <https://ifs.org.uk/uploads/WP202035-MPCs-through-COVID-spending-saving-and-private-transfers.pdf>)

Calculate the total increase in aggregate demand from an increase in government spending of £60 million.

(4)

$$MPW = 1 - MPC$$

$$MPW = 1 - 0.1 = 0.9$$

$$\text{Multiplier} = \frac{1}{MPW}$$

$$= \frac{1}{0.9} = \frac{10}{9}$$

$$\text{increase in aggregate demand} = \frac{10}{9} \times 60$$

$$= \underline{\underline{66.67\%}}$$



Wrong units so 3/4



Check your answer seems right. A total increase is unlikely to be a percentage.

It is very helpful to show your working...

(b) In July 2020 a survey estimated that the marginal propensity to consume in the UK was 0.1.

(Source: adapted from <https://ifs.org.uk/uploads/WP202035-MPCs-through-COVID-spending-saving-and-private-transfers.pdf>)

Calculate the total increase in aggregate demand from an increase in government spending of £60 million.

(4)

$$\text{multiplier} = \frac{1}{\text{MPC}}$$

$$= \frac{1}{1 - \text{MPC}}$$

$$= \frac{1}{1 - 0.1}$$

$$= \frac{1}{0.9}$$

$$\text{multiplier} = 1.11111111$$

$$60 \times 1.1 = \text{£}66.6 \text{ million}$$



ResultsPlus
Examiner Comments

...although if the answer is correct it will not add marks.



ResultsPlus
Examiner Tip

Examiners look through your working very carefully to see if they can add marks, if by chance your final answer is not correct. Show every step!

Question 5 (a)

The question was accessible and there were almost no blank responses. It was mainly answered well by a significant number of students.

- Must apply to the steel market but then the analysis can be developed from this eg steel output up can lead to more employment or more AD.
- Diagram can be app or an. Decide at the end to give the candidate the highest mark.
- A diagram alone with no explanation will only get 1 mark, but a diagram used and explained well could access more than 1 mark.
- 25% is allowed as that is in the extract **not** the question.
- Definitions of a tariff do not get a Knowledge mark as this is an **impact** question.

A diagram can earn the marks in many ways – in this case all 3 from the diagram!

5 In March 2018 the US imposed a tariff of 25% on steel imports from the UK.

(Source: adapted from <https://www.reuters.com/business/us-uk-announce-plans-formal-talks-metals-tariffs-wednesday-sources-2022-01-19/>)

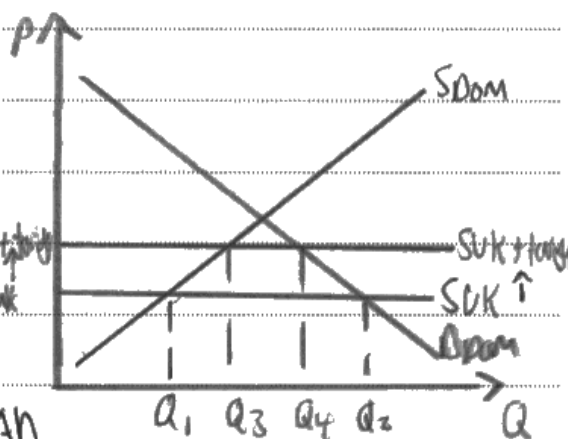
(a) Explain the likely impact of this tariff on the steel market in the US.

(4)

By adding a 25% tariff on imports of steel the amount of imports falls and domestic production of steel increases. By adding a tariff consumer price rises leading to a loss of consumer surplus and gain of ~~producer~~ domestic producer surplus increasing the price of steel in the US market and reducing consumption however, steel is likely price inelastic to an extent so consumption of it remains high.

• Price increases from P_{UK} to $P_{UK} + \text{tariff}$ reducing consumer surplus and increasing producer surplus

• Imports fall from Q_1, Q_2 to Q_3, Q_4 P_{UK} so (d-m) net trade and the current account improves, promoting an increase in AD.





Good example with a diagram.

Diagram and explanation is 4/4 in a box in the annotated pack.

First part of the answer is also 4/4.



A picture is the most wonderful way to earn marks, if you can link it, as here, to the question.

This scores 2/5.

5 In March 2018 the US imposed a tariff of 25% on steel imports from the UK.

(Source: adapted from <https://www.reuters.com/business/us-uk-announce-plans-formal-talks-metals-tariffs-wednesday-sources-2022-01-19/>)

(a) Explain the likely impact of this tariff on the steel market in the US.

(4)

~~Due to~~ A tariff is a tax placed on goods and services imported into a country. This will lead to a reduction in US steel to the US market. This will lead to an increase in price level of US steel. However the tariff at price level may actually be lower than US price level. So there may be minimal effect on US steel market. It is dependant on size of tariff.



ResultsPlus
Examiner Comments

2 K not developed.

Definitions ignored as this is an "impact" question.



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Examiner Tip

The question is asking about the IMPACT not the definition. You certainly don't need to try to evaluate in Section A!

Question 6 (a)

This was a successful question, in terms of differentiation, as it made sure that students had to use definitions of progressive and regressive accurately.

Many were not able to give an example of a regressive tax, or did not spot the need to use own knowledge.

- Application had to be 1 mark for progressive and 1 mark for regressive.
- Rise in tax level/paid as income rises (this is insufficient as an answer) rather than percentage is a common mistake which cannot be awarded.
- No reference to regressive tax in the passage so the application is candidates' own example as stated in the mark scheme.

The most important thing about this question is that progressive tax means the RATE rises as income or wealth rises, not just that it rises.

6 (a) With reference to Figure 4 and your own knowledge, explain the distinction between a progressive and a regressive tax.

(5)

Progressive tax is a tax where the majority of the burden falls upon the high income earners. For example income tax. The rate for people earning up to £12,570 is 0% whereas for those earning over £150,000 the rate of income tax is 45%. Progressive tax improves income inequality as it brings the incomes of the rich and poor close together.

A regressive tax is one where there is a greater burden upon the lower income earners. For example VAT which is a tax on consumption. In the UK VAT is 20% of ^{the} goods price. Regressive taxes worsen income inequality because it takes up a higher proportion of someone's income if they do not earn much whereas for the rich it is not as effective.



Para 1: K, Ap, An

Para 2: K, Ap

Burden rising is enough to explain rising rate.

5/5



Think carefully about the difference between a proportional tax and a progressive tax. The RATE is the key issue. Try drawing a diagram showing tax rates against income. It will do your mind a lot of healthy exercise!!

This illustrates an answer which cannot distinguish between rates of tax and levels of tax.

- 6 (a) With reference to Figure 4 and your own knowledge, explain the distinction between a progressive and a regressive tax.

(5)

A progressive tax leads to

A progressive tax is where the tax level rises as another factor rises, for example income tax where there are different tax rates at different income thresholds; 45% over £125,140 income.

A regressive tax is where tax rate falls as another factor rises. ~~such as~~

VAT is a progressive tax as the value of the tax increases with the value of the good.



ResultsPlus
Examiner Comments

This example illustrates the typical error where the "tax level rises" which needs emphasising. 1 Ap only.



ResultsPlus
Examiner Tip

Draw a diagram to show a regressive tax. Surely you don't think higher income and wealth earners pay LESS TAX overall? It must be a rate issue.

Question 6 (b)

As discussed in the introduction to this report, this is a question where a good understanding of current macroeconomic issues paid huge dividends. In the current UK context, it would be highly unlikely that a government could last more than a few weeks if it tried to cut income taxes. However many candidates guessed that a freeze in thresholds meant that they paid less tax, even though the effects were clearly explained in Extract A. The passage stated while it might not look like a tax rise on the face of it, people will still end up paying more tax on their income. A surprisingly large number of answers spotted this only at the end of their answer and used it for evaluation, which of course could earn 2 marks. The AD/ AS was part of the analysis marks, which made it easy for many to access the analysis marks, but it must be linked with the knowledge, not just a stand-alone diagram.

Advice to candidates – do not be caught some out thinking a tax freeze means rising income.

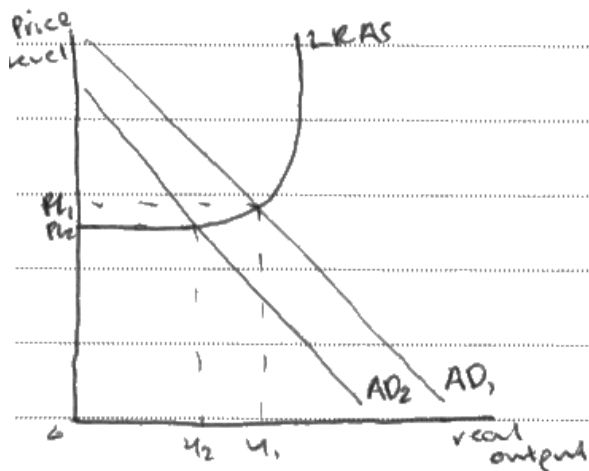
- K and An can be fluid in the way that they are awarded, and examiners want to give the highest mark that is possible. So for example: fiscal drag (k) explanation of the process (an). Or explanation of process (K) with the effect on household income (An)
- Additional income tax decreased to open up the answers.
- Data and eval can be 1 point each for 2 marks.
- Can write one point and get full marks as the question asks about “impact”.
- Analysis needs linked with knowledge in terms of AD/AS analysis.

For this question it was assumed AD would fall, but with careful reasoning we could allow AD to change either way.

(b) With reference to Figure 4 and Extract A, examine the likely impact of the 'freeze in income tax thresholds' (Extract A line 1) on aggregate demand.

(8)

One likely impact of the 'freeze in income tax thresholds' is reduced aggregate demand. Extract A states "having thresholds that fail to rise in line with salaries" causes consumers to pay "more tax on their income." This means consumers have less discretionary income, which reduces their ability and willingness to consume, therefore ~~de~~ reducing AD ^(AD₁ → AD₂) as $AD = C + I + G + (X - M)$



However, in evaluation as consumers pay "more tax on their income," they're less willing and able to import foreign goods. Further, government gain greater tax revenue due to the freeze in thresholds and the decrease from £150,000 to £125,140 of the 40% additional rate threshold, meaning the government can increase government spending and therefore AD rises as C rises and M falls.



Good example of full marks using **one impact**.

2 K

2Ap

2 An

2 Ev (AD can go the other way)



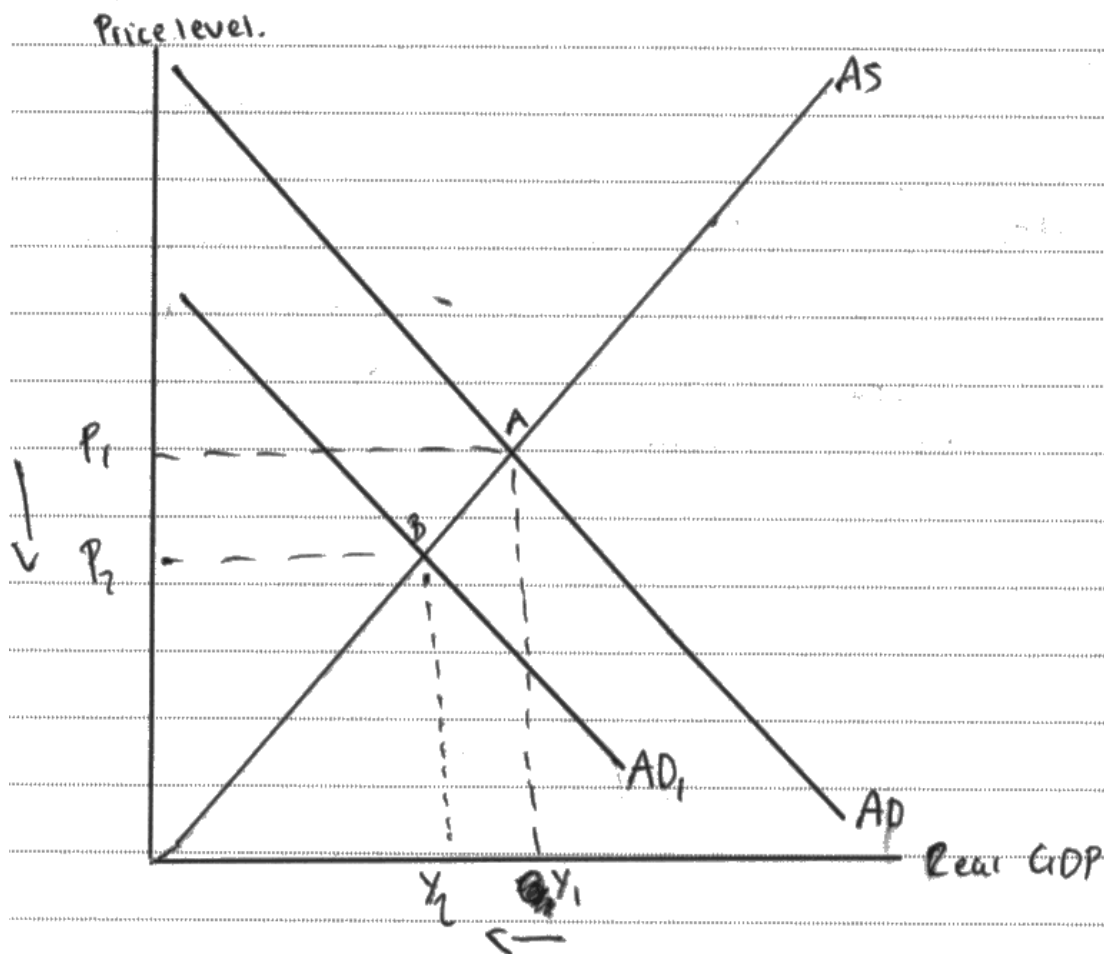
Make sure your chains of reasoning are clear, and you will be awarded whatever your conclusion, if it is valid, as it is here.

This is an excellent answer.

(b) With reference to Figure 4 and Extract A, examine the likely impact of the 'freeze in income tax thresholds' (Extract A line 1) on aggregate demand.

(8)

One likely impact is that a freeze on income tax thresholds will cause a reduction in aggregate demand (AD). This is due to 'fiscal drag', which refers to when ~~these~~ ~~individuals~~ ^{become} worse off despite a rise in salary due to individuals being pushed into a higher tax band. This is shown in Extract A where thresholds are shown to "fail to fall in line with salaries" - further showing that 250,000 taxpayers will be pushed into an "additional" rate tax band.



(AD-AD₁)

This will cause an inward shift in AD ~~from~~ shifting the equilibrium point from point A to point B. In turn, output will decrease from Y_1 to Y_2 and price level will decrease from P_1 to P_2 . This is because there is a higher proportion of individuals (200,000 extra) being taxed an extra 5% tax meaning disposable incomes will reduce, and therefore consumption will fall in the market (AD to AD₁).

This may be good for the economy it may reduce inflation to the macro objective target of 2% (UK) however this ~~was~~ would only be marginally worth it as - as of 23/24 2024 inflation has already reduced from 11.1% to 3% so inflation isn't for major concern ~~now~~ and so this reduction in AD may be an issue in the long term, as ~~but~~ firms will be disadvantaged from lower consumption



2 K (AD and fiscal drag)

2 Ap (2 x quotes from text)

2 An (explanation of fiscal drag)

2 ev (2 marks for final ev point)



Always use a diagram if you can. A picture saves a thousand words. Even if it is incorrect it will not lose you marks, as we are positive markers.

Question 6 (c)

This question was very effective in testing important concepts (e.g. flow and stock) and very important issues (e.g. whether overspending matters) that differentiated answers effectively. Some candidates, as every year, tried to link to exports and imports. There were some good responses here, particularly linking to crowding out.

One well-argued KAA paragraph which addresses BOTH fiscal deficit and national debt, along with one well-argued evaluation can achieve full marks and there is no need to write this answer as separate paragraphs, although this does make the answer clearer because there must be reference to both fiscal deficit and national debt.

- Doesn't matter if you argue it's a concern or not as long as you look at both sides.
- For Level 3 you must refer to the UK government.
- Borrowing to fund government spending to boost the economy was the most common evaluation point made.

It is worth noting that the 10 mark question does not need a final judgement. For 4/4, the Level 2 evaluation must be sustained, and most answers do this by making two evaluation points with more than one step in each chain of reasoning. The evaluation can be short, but not throw-away comments, such as, 'however there is a time lag'. An effective evaluation point might say there are benefits in the short run as AD rises, but in the long run taxes may have to rise if there is no long-term growth produced.

This question does set out the argument really clearly – yes it is a concern, and no it is not.

(c) Assess whether a fiscal deficit and national debt should be a cause for concern for the UK government.

(10)

~~So~~

yes it should be a concern.

Firstly, an increase in fiscal deficit hence ~~national~~ national debt mean gov. have to spend more to service its debt ~~eg~~ i.e. Total sum of interest will increase. As a result, gov. will have less fiscal headroom ~~to~~ for gov. spending. If gov. spending levels can't be retained, ceteris paribus, AD will shift leftwards ~~causing~~ reducing ~~the~~ real economic output and living standards.

However, it can be counted that ~~it~~ all depends on the interest rate. In last quarter of 2022 where interest rate peaked 4.5%, ~~it~~ it takes more money ~~to pay back~~ to ~~to~~ service debt as opportunity cost of borrowing increased. However, if real interest rate is below 0%, then national debt shouldn't be a concern as you now actually have to pay back less than what you've borrowed.

Secondly, a structural deficit should be a concern. If after the course of an economic cycle, gov. recorded fiscal deficit, its worrying as its signs of economy being uncompetitive and required gov. to subsidize/bail out companies and pay transfer payment to individuals. This mean some structural weakness in the supply chain and if not addressed, could lead to long term international uncompetitiveness which leads to bad consequence e.g. huge current account deficit.

However, cyclical deficit where gov. experienced only fiscal deficit in recession is acceptable. Also, debt may not be a problem if growth occur simultaneously. Growth mean how debt is a smaller share of national GDP hence shouldn't be worried. However higher growth lead to inflation which reduce ~~the~~ real worth of debt as well.



Not as much reference to national debt. The analysis should cover both distinctly, even if in the same paragraph.

Para 1: L2

Para 2: E2

Para 3 : L2

Para 4 : E2

4/6 KAA 4E = 8/10



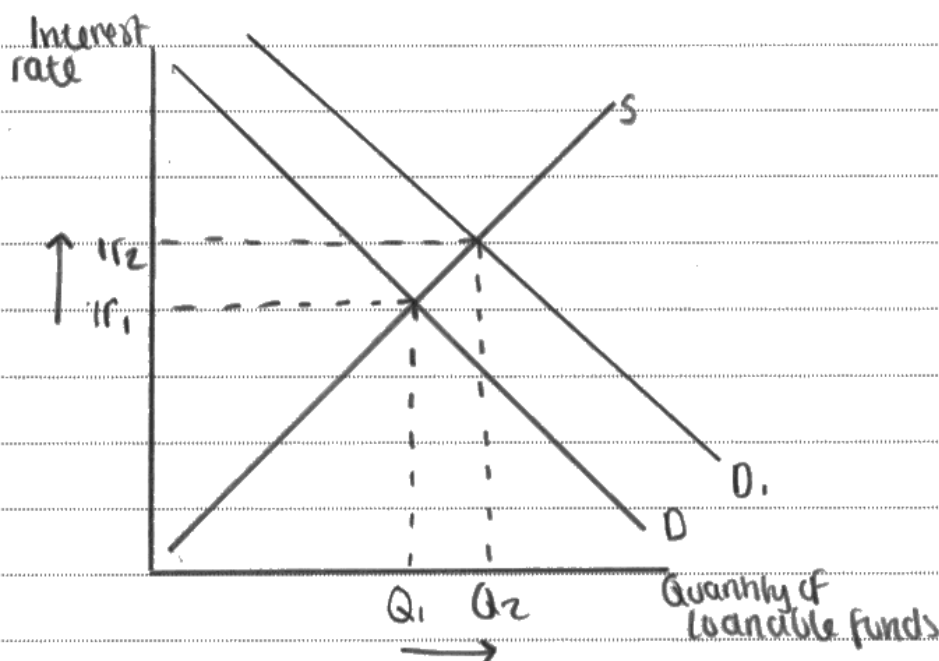
You do not need a judgement or overall evaluation for a 10-mark question. But you should make sure you address every **element of the question.**

Looking at this initially this looks as if this is a microeconomics diagram. However on reading it you will find it is excellent, and clearly scores full marks.

(c) Assess whether a fiscal deficit **and** national debt should be a cause for concern for the UK government.

(10)

A fiscal deficit occurs when government spending exceeds tax revenue in a year. From 2020-2021, the fiscal deficit of the UK reached 15.1% of GDP. This is a cause for concern as a fiscal deficit will lead to high levels of borrowing through the selling of government bonds to financial institutions. This will lead to increased demand for loanable funds from Q_1 to Q_2 , raising the interest rate from r_1 to r_2 . The increase in the interest rate will raise the cost of borrowing for private firms, disincentivising investment. As a result, this will crowd out the private sector, leading to a reduction in GDP.



However, a high borrowing caused by a fiscal deficit

may not be a cause for concern. If borrowed money is used to finance supply-side projects such as HS2, this may lead to inwards investment by the private sector, leading to crowding in and therefore an accelerator effect which will increase economic growth.

A national debt is an accumulation of a country's previous fiscal deficits. Figure 1 shows that UK national debt spiked over 90% of GDP. A high national debt maybe a cause for concern as this means a greater proportion of government revenue will be used to finance debt repayments. Extract B mentions that there could be higher interest rates on UK debt. This means that there is a lack of government funding for the ~~private~~ public sector, leading to a reduction in investment in education or infrastructure. As a result, there is a reduction in ~~the~~ long run aggregate supply, shifting inwards, leading to a fall in economic growth and a rise in unemployment.

however, national debt may not be a cause for concern for the UK government. Countries such as Japan has national debt which is 250% of GDP however economic growth still occurs. The govern-

ent may have other objectives it wishes to achieve
so national debt may not be a large concern.



ResultsPlus
Examiner Comments

Good example however this is a long answer and not standard, and far more than the minimum required for full marks.

Para 1 L3

Para 2 : E2

Para 3: L3

Para 4 :E2



ResultsPlus
Examiner Tip

Remember that some micro diagrams are very useful in macro exams, so do not omit any economics which builds up your analysis if you have time!

Question 6 (d)

This was a successful question, in that there was a clear instruction and area of analysis, with extremely helpful data to answer the question. It effectively differentiated students and for many it allowed them to show their high-level understanding of QE. Examiners found it easy to apply levels of response. It was significant that there were a number of high quality responses, and equally with ones of a lower quality where the subject matter was unfamiliar.

- Can refer to *preventing deflation* or *causing inflation*. If no reference to the changes in the general price level there was a maximum of L2.
- Magnitude of the spending was a clearly effective way to evaluate.

'Yield analysis' is credited, although not *required* at A Level.

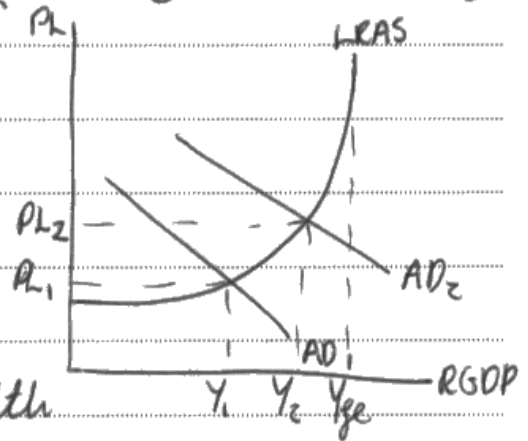
The 'use' in a 12 mark questions means you can stick to one point, singular, and not go into a list of uses.

(d) With reference to Extract B, discuss the use of quantitative easing in preventing deflation.

(12)

Quantitative easing is increasing the money supply ~~est~~ within an economy. "Some people argue that QE causes inflation instead of deflation by stimulating aggregate demand in the UK."

As there is more money supply in the economy governments ~~can~~ can spend more on healthcare to help with the global health

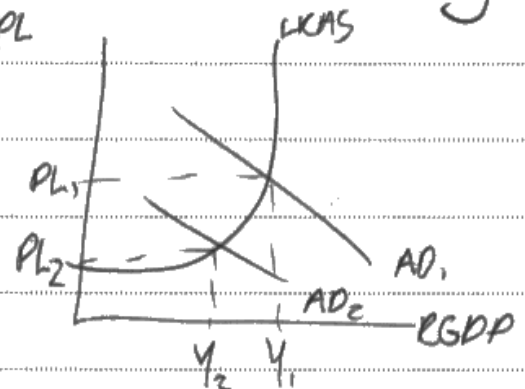


crisis this increase in government spending causes AD to shift from AD_1 to AD_2 and therefore the price level shifts from PL_1 to PL_2 causing inflation.

However, QE does not necessarily causes inflation as most of the extra money is contained in the financial system meaning there is no effect on AD and therefore no effect on the PL so no inflation.

QE may not have been fully effective

in preventing deflation. "Central banks have decided it was a good time to print a lot of money but that was a mistake as we ~~had~~ had too much money chasing too few goods" this means that there wasn't enough consumption in the economy. This caused AD to shift from AD_1 to AD_2 and PL to drop from PL_1 to PL_2 causing deflation.



However, the excess money doesn't necessarily mean consumption changed. Therefore AD might not shift and PL wouldn't change either.

Overall, QE easing is good at preventing deflation but inflation could cause just as much harm to the economy.



Para 1: L2 –

Para 2: E1

Para 3: Confused analysis

Para 4: E1

3 + 2e = 5/12



It is good to see a diagram and here is it explicitly linked to the question on preventing inflation (in the sense of causing inflation) but the analysis becomes increasingly confused as the essay goes on. The evaluation is very brief comments, not in-depth critical judgement.

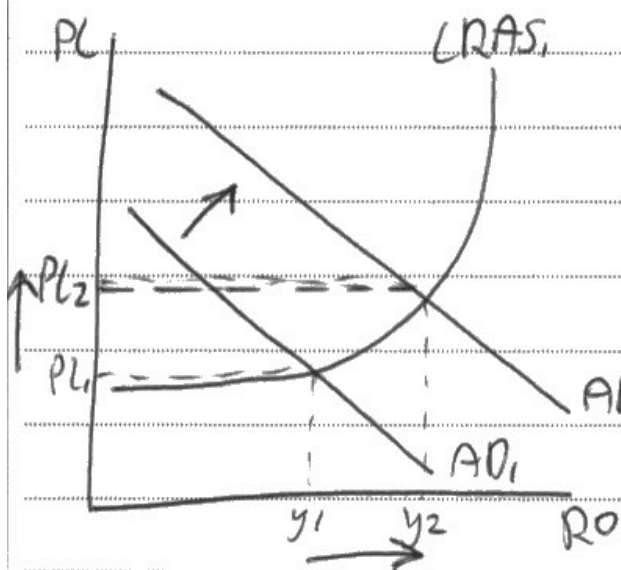
This example earns full marks.

preventing deflation. \downarrow in prices

(12)

Quantitative easing was used by the Monetary Policy Committee (MPC) to promote economic growth causing demand pull inflation to prevent deflation (a general and persistent fall in the average price level). The MPC digitally printed £200bn to buy back existing government bonds from commercial banks. This improved the liquidity of these banks, allowing them to offer more loans at a lower interest rate (cheaper) which encouraged investment from private sector firms who were more willing and able to borrow to invest, boosting AD. Furthermore, through seeking to buy government bonds, the MPC increased demand for government bonds which ^{will} increase the price via the price mechanism. Given that government bonds have fixed yields, this reduces the return of government bonds ~~down~~ explaining the low ~2% interest on gov bonds in July 2022 (fig 3). As government bonds compete with other financial products such as ~~the~~ savings accounts, they will also have lower returns. So, as a result of this Quantitative easing measure, ~~the~~ the reward

for saving via government bonds and savings accounts will fall. Therefore, the UK will see increased consumption and increased private sector investment ~~our~~ leading to an increase in AD as $AD = C + I + G + (X - M)$. So, ~~preventing~~ "limiting the damage of this deep recession" by stimulating economic growth ($AD_1 \rightarrow AD_2$) the increase the price level ($PL_1 \rightarrow PL_2$), creating demand ~~side~~ pull inflation to prevent any deflation and bring the inflation rate up to the MPC's target of 2%.



However, in evaluation, how effective will this QE policy be at promoting inflation? This QE policy may reduce the cost of borrowing and reduce the reward for saving,

but, if the UK is experiencing very low business and consumer confidence as a result of COVID-19, the global health crisis, creating uncertainty in the UK. Then this ~~QE~~ QE policy won't stimulate much consumption or investment as consumers want a larger financial cushion as they lack job security.

due to the redundancies made and investors have uncertainty ~~so~~ over their return on investment. ~~So, this~~ further, the extra money from QE is often "contained in the financial system as a result so consumption and investment is ~~not~~ not affected". Therefore, AD won't increase as much as deflation isn't likely to be affected.



ResultsPlus
Examiner Comments

It is encouraging to see a **brief** and the use of data from the start.



ResultsPlus
Examiner Tip

Spelling (e.g. comity for committee) does not matter as long as we understand what you mean. What examiners like about this answer is the clear handwriting and clear thought behind the answer.

Question 6 (e)

There were many confident and strong responses to this question. Students know this topic well and provided some excellent responses. It is clear this topic is well taught and well rehearsed.

Overall, many candidates were able to answer this question well. The stronger answers provided detailed application points relevant to specific policies.

- To get Level 3 KAA there has to be more than one policy and a good deal of context, using but preferably going far beyond the final paragraph of Extract B.
- If one policy only is given, this would mean the answer could not go above Level 2 for KAA. However with good evaluation, which is sustained, you can still gain full evaluation marks (6/6) if there is only one supply-side policy given.
- Some answers gave more than one policy, which was required, but only one piece of analysis, usually a rightward shift in the LRAS. It is enough to do one analysis point on this question for full marks.
- As long as an answer starts with a supply-side policy then reference to the effects of AD is relevant. Many students felt a need to do more analysis than an SRAS shift and therefore stretched to an AD shift. This was not expected, but of course it was awarded where the chains of reasoning were effective.

The question asks for plural *policies*, so make sure you have two good policies. No point in doing more unless you have deeper analysis – the last thing the examiner wants is a list.

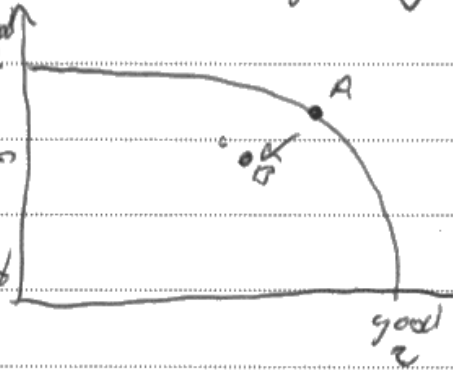
(e) Discuss supply-side policies the UK government could introduce to stimulate economic growth.

(15)

One supply-side policy the Gov could use to stimulate economic growth is spending on Education & training. This leads to workers specialising and becoming more skilled. This boosts productivity for domestic ~~producers~~ firms increasing the This leads to an increase in the labour supply as more workers ~~become~~ become skilled for better jobs. This reduces ~~an~~ structural unemployment which is a macro objective and also boosts productivity in domestic firms leading to an increase in goods supplied. ^{stimulating economic growth.} This could be limited ~~that~~ by a couple of factors such as brain drain where workers move to a different country offering a better wage for their skills and also time lag as it would take a while to implement.

A different policy that could be used alongside / instead of it is an ~~increase of Gov spend~~ increase of Gov spending to subsidise research and development. This ~~would~~ would lead to technological advancements making production for firms cheaper and more efficient. ~~these are~~ This boosts investment and Gov spending also increasing our exports as we produce cheaper leading to a massive increase in GDP showing a stimulation in economic growth. This could be limited though

As firms could use the money inefficiently meaning they move to producing the wrong way wrong method leading to an inefficiency in production as shown on the PPF curve from point A → B wasting the investment injection. FDI could also lead to the research going back to other countries not benefiting the UK as much as it should leading to a reduction in ~~the~~ economic stimulation or economic growth.



ResultsPlus
Examiner Comments

Para 1: L2 no context

Para 2: E2 -

Para 3: L2+ no context

Para 4: E2 -

Fair analysis but lack of context.

6 + 3e = 9/15



ResultsPlus
Examiner Tip

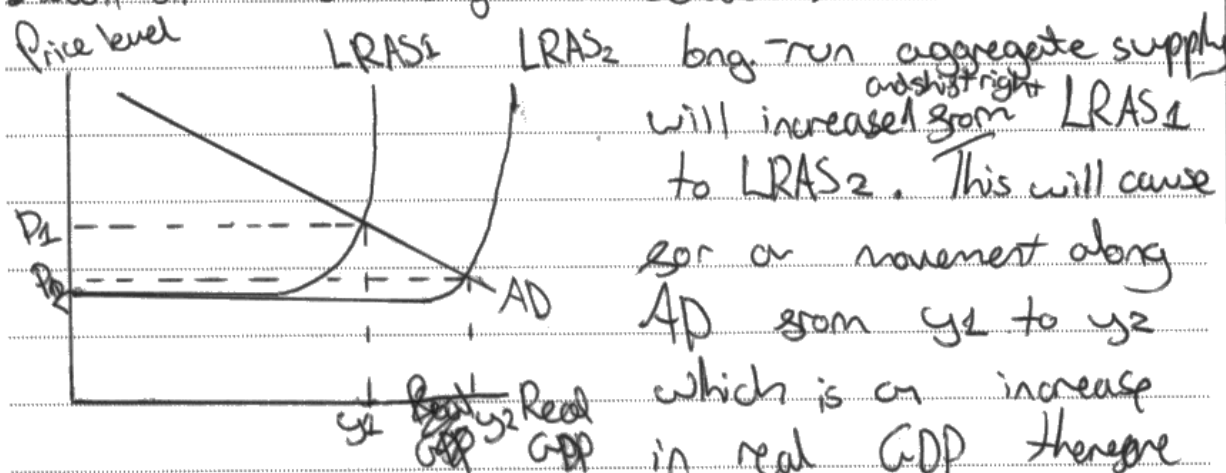
Use the UK government policy-making as your starting point. Think education, NHS, trade, infrastructure and regional issues, and try to put demand-side policies completely out of your mind. They do not lose marks, but there is an opportunity cost if you stray into fiscal policy *at the expense of* supply-side policies.

Some answers are set out extremely effectively, with point, explanation, example, diagram and then evaluation (PEEDE), twice over.

(e) Discuss supply-side policies the UK government could introduce to stimulate economic growth.

(15)

One supply side policy which could stimulate economic growth in the UK is larger spending by the government on apprenticeship schemes. This interventionist policy to subsidise apprenticeship education will cause more firms to invest in taking on and training apprentices. This is because, as you ~~remove~~ lower the costs of taking on an ~~exp~~ apprentice and training them, more firms will be able to opt in and reap the benefits. This increase in training of our labour force will in the long run cause for an increase in aggregate supply as the labour force is more specialised and trained, ergo is more productive and can produce more goods and services leading to an increase in real GDP which is economic growth. This can be shown on the diagram below. As observed



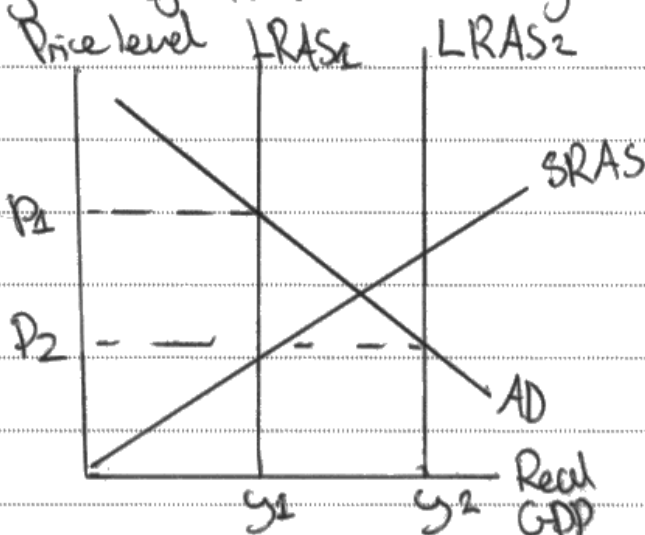
stimulating economic growth.

On the other hand, although using public money on education will increase LRAS and stimulate growth, the UK budget will incur an opportunity cost. In essence, the same amount spent on this subsidisation of ~~apprenticeship~~ apprenticeship schemes could be spent elsewhere on the "next best alternative forgone" like in healthcare to reduce waiting lists and deal with a more pressing issue. In addition with a policy like this there is a time lag which ~~will~~ occur taking 12-18 months so spending that money now may be needed later for a change in circumstances. Furthermore it is important to take in consideration other countries policies, like Australia offering out Visas for trained individuals with large salaries to go with it so expenditure on current labour may not even effect the LRAS as labour in the UK is highly mobile and can be ~~re~~ relocated easily to Australia with minimum barriers so is working in certain industries.

A second supply side policy the UK could implement to stimulate growth is an introduction of a ~~major~~ new infrastructural project like

HS2 to be extended to the north.

This allows for higher speed rail travel for labour which will allow them to be more geographically mobile. as well as increase their productivity in the short run which would cause for an increase in total aggregate supply which can help facilitate growth. Furthermore, ~~goods and services~~ further infrastructural improvements ~~with~~ like widening motorways will allow for higher density bus and lorries to travel delivering raw materials quicker therefore increasing the aggregate supply. Both of these supply side policies will cause for increases in aggregate supply as can be supported by diagrammatical analysis ~~below~~ below.



As ~~both~~ these policies are implemented the long run aggregate supply will increase ^{and right shift} from LRAS1 to LRAS2, this will ~~cause~~ cause for an extension in real GDP along AD from Y1 to Y2.

This ~~increase stimulates~~ infrastructural goods will increase and stimulate economic growth.

On the other hand, ~~as~~ this

type of policy will cause again a large fine delay, but also put a huge burden on the fiscal deficit. This new fiscal deficit caused by the implementation of this may cause for a more punitive progressive tax system to take hold to balance the budget. So a higher corporation tax for example implemented from 20% to 25% may cause capital flight and disuade investment in the UK as firms are profit motivated and will relocate to country in the EU like Ireland which has a similar culture to the UK so makes integration for the firms easier but also comes alongside a lower corporation tax.



ResultsPlus
Examiner Comments

Excellent example

Para 1: L3+

Para 2: E3

Para 3: L3+

Para 4: E3



ResultsPlus
Examiner Tip

The diagram in the first page is ideal for this answer, and is explained in the text. Well done!

Question 7

This was a surprisingly popular and effective question and enabled students to use theory to support their responses. Again those that used examples and models were rewarded with Level 4 marks. It was also notable that some students still confuse the Current Account deficit and Budget deficit.

The question and topic area was straightforward and rehearsed in schools, and many answers were based on countries that were drawn from their own knowledge rather than that of Brazil. The context was very helpful as well used, but it should be reminded to all candidates that there is often a request to use knowledge of at least one developed or developing country.

No introduction is required in any answers, and candidates are reminded to simply start by answering the question. Definitions can be a useful way to set the groundwork, but they are not required and the knowledge marks are clearly implicit when a strong argument begins.

Since the question is about trade, relevant protectionist diagrams must refer to quantity and/or value of imports. Many candidates employed a basic subsidy diagram, for example, illustrating an outward shift in supply but did not reference the quantity imported at the world price, leading to a lower level of analysis.

The Marshall-Lerner condition was effectively used to evaluate the impact of currency depreciation. However, candidates need to do more than merely mention the condition. The J-curve appeared in many answers, and was particularly useful in terms of higher-order evaluation.

Advice to students: Try to stick to an evaluation point and develop it fully to get to Level 3. Many able candidates analysed a relevant evaluation point up to Level 2 and then introduced another point within the same paragraph. You only need to make two clear L3 evaluation points/arguments overall, and a final judgement, to be able to achieve 9/9 for evaluation.

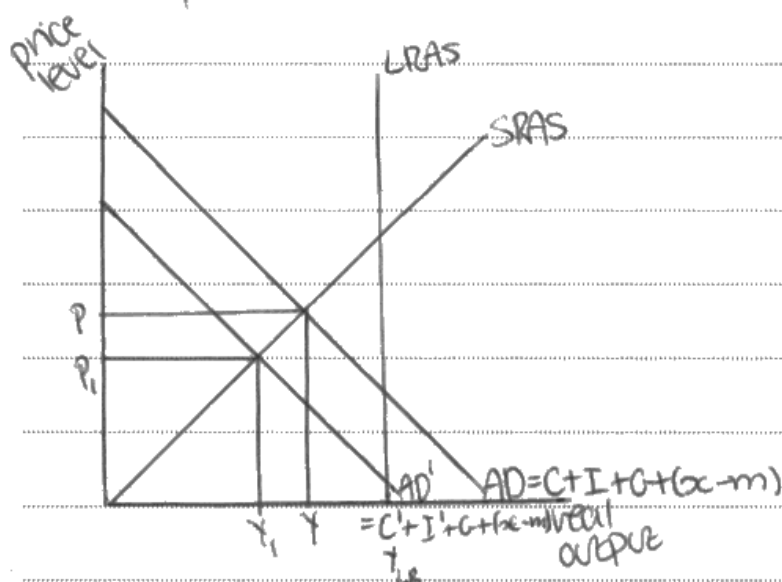
- Country of choice to get to L4. Whatever policies you choose are likely to be valid, but it is unwise to discuss fixing of interest rates or exchange rates in countries such as the UK.
- Context of Brazil is used by many.
- Very open to the use of policies.
- You can use more than one country despite the question saying country, for example you could use a different country as your evaluation point. However if you use many different countries, the impact of your application is likely to be weakened.
- If the economics is correct then this is enough to hit the levels. Eg UK can manipulate the exchange rate but then explain in the eval it isn't likely to happen.
- The evaluation does not need to link with the KAA to gain L2 ev. But the best answers link the evaluation to the point being made
- Current account/ trade deficit can be used interchangeably

The essay does need models and diagrams but they need to be in context, analysed and evaluated on a deep a level as possible. Two points is enough, but there needs to be depth of analysis and evaluation.

The current account is the combined trade in goods, Trade in services, Incomes and transfers in an economy.

The UK government could do contractionary monetary policy to improve the current account deficit. By increasing interest rates (5.25% in UK currently) promotes savings to

households within the UK as well as firms. This incentivises households and firms to save instead of consume or invest. They are unlikely to invest as they would have to pay a much higher interest and is irrational. Consumption and investment fall within the economy ~~and~~ causing aggregate demand to ~~fall~~ decrease. With less consumption in the economy households are not purchasing as much imports. Therefore causing the current account deficit to improve as less imports are consumed within the UK economy.

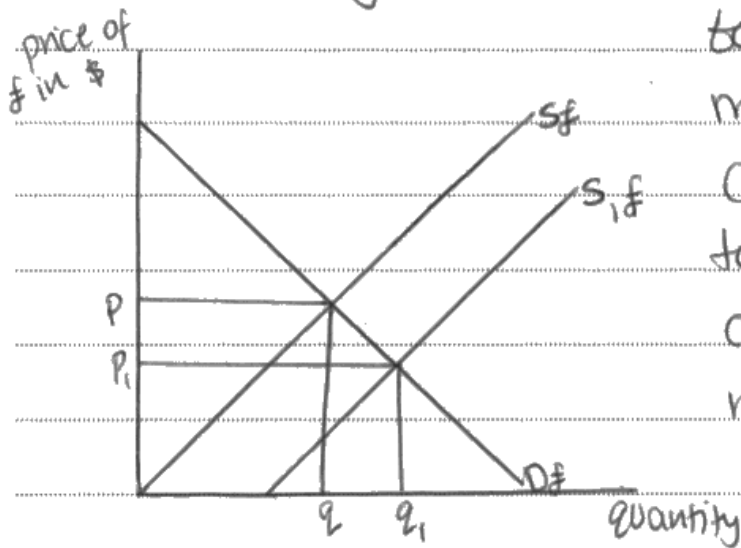


However, this may cause stagnation of the economy as we move away from LRAS and real output falls to Y_1 from Y . Price levels fall P to P_1 , which with an current inflation rate in the UK of 3.2%

would cause even further disinflation and reduce the already economic growth from 0.4% in 2023 to even lower.

The UK gov't could also alter the exchange rate to improve the current account deficit. Through the Bank of England selling their reserves of the £ sterling onto the forex market increasing the supply in the market. As the sterling is a floating exchange rate it

Value alters depending on the supply and demand for the ~~goods~~ currency. As the ~~to~~ ~~the~~ sterling has depreciated

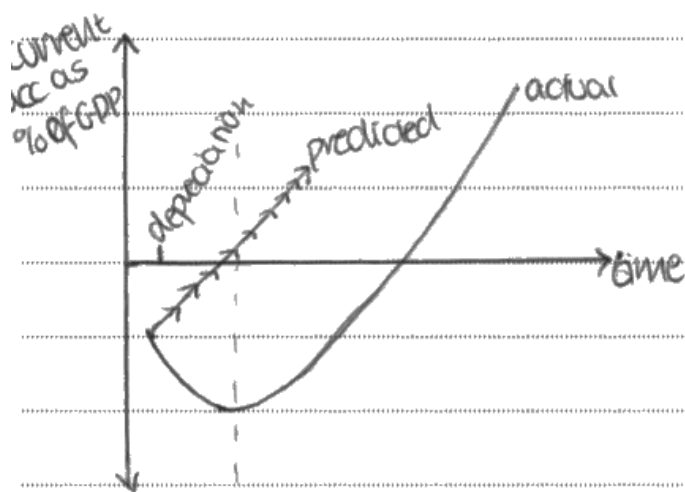


to P , UK exports are more attractive. Therefore causing the price of exports to fall and the value rise, and the price of imports to rise and the value fall.

Hence the UK sells more exports than

imports and the current account deficit improves.

However, ~~the increase in price export~~ This will only occur if Marshall Lerner condition is fulfilled. The demand for the imports and exports must be elastic if not the current account will get worse. A J-curve as shown below occurs



as the current account gets worse before it gets better from a depreciation. As ~~it~~ it takes time for substitutes to be found and switched to by firms and households in the UK.

In conclusion, a depreciation in the currency may keep a more stable economic growth level through

the time period needed to complete it, than contractionary monetary policy. However, contractionary monetary policy ~~requires~~ has less welfare loss. But a depreciation is more consistent in the long-run for improving the current account deficit within the UK.



Para 1: L2+

Para 2: E2

Para 3 : L3

Para 4: E2

Para 5 : J E2

This is a barely Level 3 answer, with L2 eval, so 9 L3 - + 6e L2+ (top L2e for being a good sustained example and there is a judgement) = 15/25



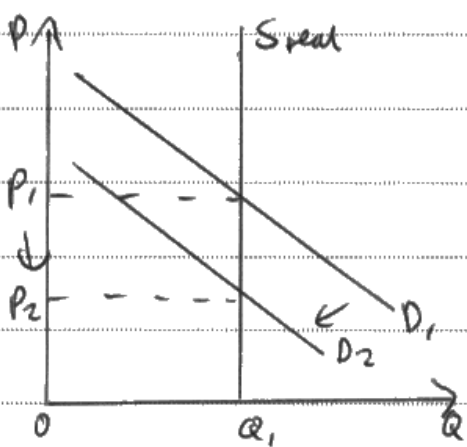
The importance of extending your analysis in context of a real world example cannot be stressed enough!

You are of course allowed to use Brazil for the data context – but you really must apply everything you can even if you haven't studied that country. The question tells you about the type of exchange rate system (managed) and that should be your starting point. It's not the UK after all!

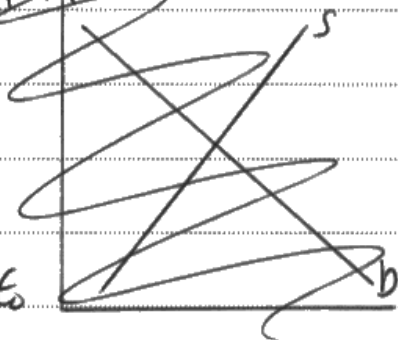
A current account deficit occurs when ~~the~~ the value of a country's imports are higher than the value of the country's exports.

One policy that could be used is decreasing interest rates. This is because having lower interest will cause ~~an~~ outflows of hot money from Brazil,

as foreign investors no longer see high returns on their investments. As a result, there will be

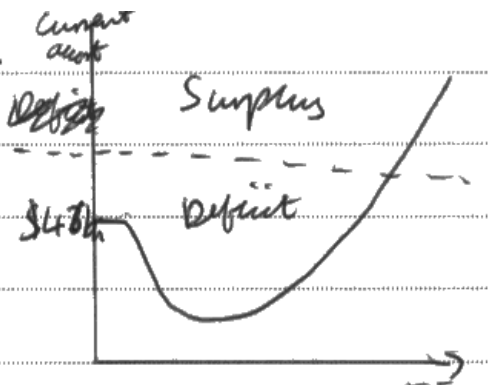


be a fall in demand for real, as foreign investors begin to sell their real. As a result, there will be a fall in the value of the real, from P_1 to P_2 , meaning there



will be a devaluation of the currency. As a result, imports will seem dearer to consumers in Brazil, meaning there will be a fall in demand for imports, and therefore a reduction in the amount of imports bought by Brazil. This depreciation will also make exports appear cheaper in foreign markets, so Brazilian exports will be more internationally competitive. As a result, there will be an increase in demand for Brazilian exports, leading to more goods and services being exported, as the value of goods and services being exported increasing. As a result, there will be a reduction in the ~~the~~ current account deficit as the value of imports will fall and the value of exports will rise, so as a result, the deficit will be reduced from \$46.12bn to closer to \$0. However, there is likely to be a time lag between the depreciation in exchange rate and the

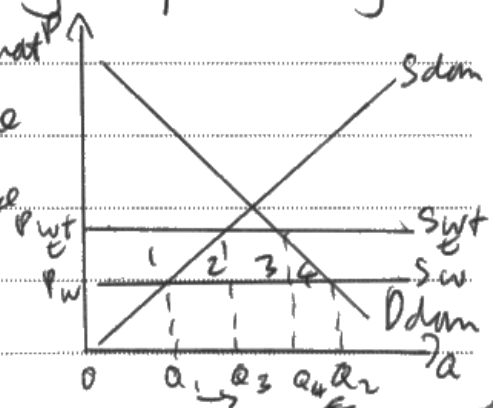
change in X-M behaviour. This is likely to be caused by pre agreed contracts ~~for~~ difficulty of changing supplier. ~~and asymmetric information~~ As a result, in the



short run the J-curve effect will occur, as ~~the~~ export prices will fall in other countries, but there will be a relatively small increase in the volume of exports sold, meaning export revenue will fall and import spending will increase. As a result, in the short run, ~~the~~ the current account deficit will ~~get worse~~ worsen. Over time, however, it is likely to improve as export and import volumes react appropriately.

This will only be the case, however, if the PED of net exports is greater than 1. This is because the Marshall-Lerner condition states if the PED of net exports is smaller than 1, ~~then~~ then a depreciation of a currency will lead to an increase in the current account deficit.

Another policy that could be used is to increase protectionism. This is because, by implementing a tariff on imports ~~of~~ of goods that Brazil produce domestically, the price of these imports will increase from P_w to $P_w + t$. As a result there will be a fall in demand



for these ~~exp~~ imported products, so as therefore a fall in the value of imports, which would improve the current account deficit. ~~Then~~ The goods that continue to be imported will now ~~have~~ ~~a~~ tariff, bringing in tax revenue of section 3 on the diagram. This ~~tax revenue~~ additional tax revenue could then be spent on subsidising ~~Bras~~ ~~domestic~~ domestic Brazilian producers in order to reduce their costs to allow them to be more internationally competitive. As a result, there would be an increase in demand for Brazilian exports, therefore increasing the value of exports, which would ~~increase the~~ ~~that~~ lead to a fall in the current account deficit. However, it is likely that by implementing tariffs on foreign goods that ~~they~~ these countries would retaliate. This would mean there would be ~~be~~ tariffs put on Brazilian exports, making them more expensive in foreign markets, leading to them being less internationally competitive. As a result, there would be a fall in the value of exports, meaning the balance of payments current account deficit may not improve, and may even be worsened and increase from \$46.12 bn.



Para 1: L4

Para 2: E3 Diagram is contextualised

Para 3: L4

Para 4: E3

Lack of context/application is the reason for the 14/16.

There is inconsistency with analysis and diagram.

Ev L3 – 7/9

14+7 = 21/25



Make sure you write about the diagram you have drawn, and explain it. Examiners do love diagrams, but they must be integrated into the analysis.

Question 8

There were a range of responses here. Good responses used plenty of examples and linked to theory. However, others were more descriptive in their nature, not linked to any real-world examples. There was some good knowledge of trading blocs, trade creation and trade diversion, and some excellent diagrams.

This was perceived as a more challenging question as many wished to discuss the cons of the factor they discussed, rather than evaluate whether the factors led to globalisation. To evaluate whether globalisation was 'good' was not the question, and therefore was not what the mark scheme wanted. The mean score on the second essay was 2 marks lower than on Question 7, largely because it offered limited opportunities for evaluation which was still addressing the question.

- Benefits were replaced by many as the factors causing globalisation.
- Diagrams can count as application marks, as well as analysis and of course knowledge. It certainly helped students score well if they showed a falling-tariff diagram, and a rising tariff diagram as part of the evaluation.
- Level 3+ was the maximum KAA mark if there was no clear application such as reference to countries. Very difficult to get above Level 3 if there is no reference to real-world examples or other context.
- There was a persistent confusion over absolute and comparative advantage. We marked positively throughout but it would be advised to make sure that the diagrams and explanations fit precisely.

Try to keep abreast of changes, such as the disappearance of NAFTA. This of course is awarded because it is on the Specification, but you can add polish to your answers if you are aware of current developments to add.

Globalisation is the interconnectedness and interdependence between countries. Factors which have possibly contributed to globalisation is transportation, containerisation, communication, and trade blocs.

One factor which is a possible factor contributing to globalisation is an increase in communication as the development of the internet, for example, has led to governments across the world being able to communicate and ~~create~~ facilitate trade. Trade makes countries rely and depend on one another as ~~though~~ while ~~they~~ countries trade, they specialise in the product that they export the most, ~~the~~ for example, Chile specialises in the production of copper whilst the UK specialises in financial services. ~~the~~ ~~the~~ Countries tend to specialise in goods that they have a comparative advantage in, meaning they have a relative lower ~~cost~~ opportunity cost in producing that good. Hence trade also increases world output ~~and~~ and decreases the amount of scarce resources ~~wasted~~ wasted. ~~and~~ This is a possible factor to globalisation ~~as~~ because as countries specialise, it is harder for them to become ~~is~~ independent and they depend ~~and~~ on other countries to

by their goods and services so that they can use their ~~exports~~ ~~in~~ ~~export~~ export revenue in exchange for import expenditure. *

Another factor could be ~~the~~ ~~increase~~ ~~in~~ ~~cost~~ how easy it is to transport, for example, transportation has made it easier for the UK to purchase goods from China as the new bullet train from China to the UK allows goods to ~~be~~ be transported in two days which contributes to globalisation as it facilitates trade. Transportation has also made it easier for consumers themselves to ~~fly~~ ^{fly} to ~~American~~ America from the UK which would allow people to gain better knowledge about other countries, increasing the ~~internet~~ interconnectedness.

* However, an increase in communication has also ~~led~~ ~~to~~ led ~~to~~ to trade blocs being easily created e.g. for ~~any~~ example NAFTA which is a trading block between Canada, America and Mexico which allows prices to be cheap for these countries to import and export to each other but more expensive for non-participating countries which can lead to a increase in price of goods for the UK, for example,

and a decrease in choice which may lead to a decrease in standard of living and a decrease in interconnectedness and interdependence between the UK and NAFTA.



Lots of factors discussed not in as much depth.

Para 1 : L3 -

Para 2: L2 -

Para 3: E2 NAFTA credited as fits time frame. One ev, not sustained but enough for E2.

L3 - / E2

9/16 KAA + 4/9 Ev

=13/25



Make two well applied and well analysed points, using your own learning about real-world economics.

Two points well made and deeply is preferable to a long list of shallower points.

This scores 24/25 and needs an overall judgement.

- 8 In 2020, exports as a share of world GDP were 12% higher than in 2000, almost twice as high as 50 years ago.

(Source adapted from: <https://www.dhl.com/content/dam/dhl/global/dhl-spotlight/documents/pdf/2021-gci-update-report.pdf>)

Evaluate the possible factors contributing to globalisation.

transport trade liberalisation

(Total for Question 8 = 25 marks)

Indicate which question you are answering by marking a cross . If you change your mind, put a line through the box and then indicate your new question with a cross .

Chosen question number: Question 7 Question 8

Write your answer here:

Improvements in transport technology have contributed to globalisation. Containerisation has reduced transport costs internationally ~~as~~ due to this standardisation of crates, reducing the need for ~~the~~ repackaging and promoting bulk buying economies of scale.

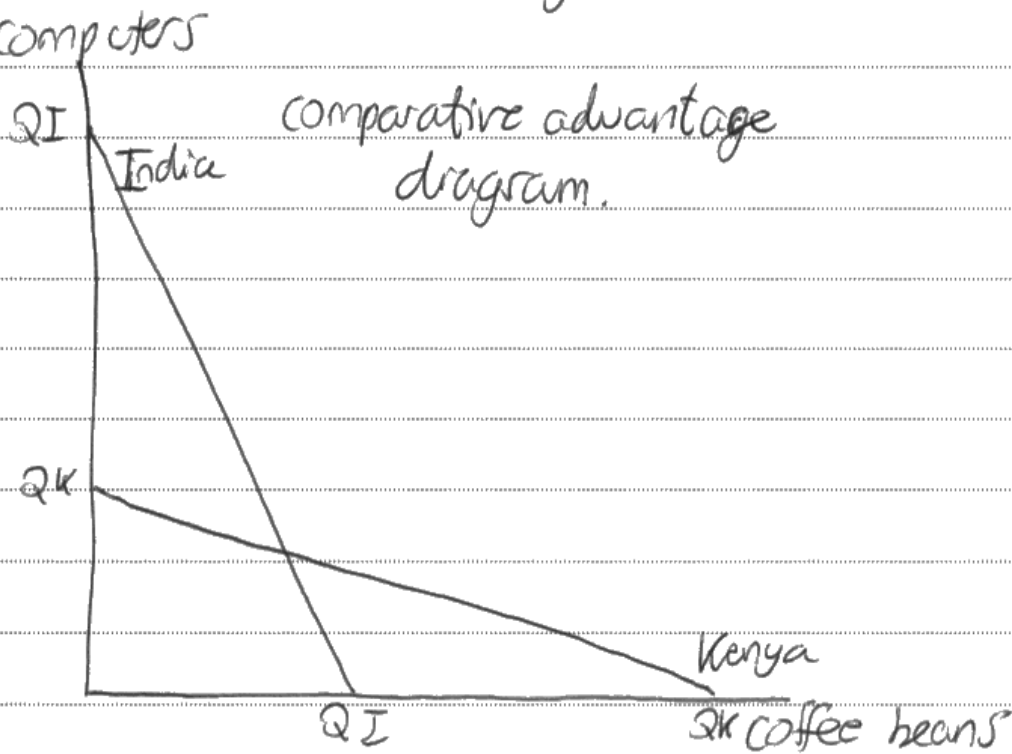
So, MNCs are more inclined to use fragmentation of production and off-shore or outsource production to countries with cheaper labour such as China due to few regulations. So, firms such as Apple (US) outsource the production of iPhones to a Chinese firm (Foxconn). This is made possible by cheaper transport and the development of communication technology. This was done through the internet and the use of teams/~~or~~ Zoom calls. The result being, firms such as Apple can communicate quickly and ~~so~~ efficiently with their partners Foxconn despite any geographical barriers. This further promotes fragmentation of production due to the "shrinking world effect", ~~and~~ making it more financially viable to outsource production across the world. This promotes globalization as ~~and~~ countries are becoming more interdependent due to these international supply chains.

However, in evaluation, will this fragmentation of production last in the long run? Despite these technological advancements, the cost of

transportation is beginning to ~~rise~~ rise due to rising oil prices. Oil is by far the most used source of energy for transportation, but, due to the Russia - Ukraine conflict, countries ~~and~~ such as the UK are banning the import of Russian oil, restricting global supply of this finite resource which increases the price of oil via the price mechanism. So, as a result, firms are seeing higher costs of transportation and are beginning to reshore production in their domestic market. This is further exacerbated by rising environmental concerns over climate change. So, less firms are outsourcing and globalisation is beginning to slow.

Another likely cause of globalisation is the promotion of trade liberalisation. The WTO is acting to promote trade liberalisation via their trade rounds such as the Doha 2001 trade round where they negotiated to reduce agricultural trade barriers or tariffs. By reducing protectionist measures, globally, this promotes the use of comparative advantage law ~~and~~ whereby countries should specialise in the export of the goods or service they

have the lowest opportunity cost of producing. For a country such as Kenya this may be coffee beans, ~~so, trade liberalisation~~ as show on the diagram below.



So, trade liberalisation promotes this by reducing tariffs. The result of greater use of comparative advantage theory is that countries become more ~~not~~ interdependent on each other for the import and exports of things like coffee as there is greater specialisation. Further, global output will rise as specialisation increases productivity of a country through repetition and investment into an industry such as Kenya who have mastered irrigation of coffee in areas. This is why exports as a share of

World GDP increased by 12% from 2000 to 2020 and doubled in the last 50 years. As the WTO has promoted trade liberalisation increasing specialisation and interdependence between countries, increasing economic growth.

However, in evaluation, how effective is the WTO at reducing protectionist measures? The Doha trade rounds are ongoing as an agreement couldn't be made. This is because developing countries have too much influence and power over the WTO. So, the EU opposed the removal of agricultural protectionist measures such as tariffs to protect their domestic markets in countries such as France ~~of~~ from international agricultural competition from developing countries such as Brazil. So, the WTO is failing to reduce protectionist measures and so, developing countries are still suffering from heavy imports on agricultural products into EU and USA, ~~despite~~ reducing the contributions trade liberalisation key on globalisation as international trade is limited.

In conclusion, transportation improvements may have contributed to globalisation 50 years ago

as a result of containerisation, but recent improvements to ~~the~~ transport have been limited.



ResultsPlus
Examiner Comments

Para 1: L4+, Clear application, chain of reasoning para 1.

Para 2 : E3

Para 3 : L4

Para 4 : E3

Para 5: Sense of Judgement but not developed E1 but ignored as 2 sustained E3 from previous paragraphs.

(Clear consensus on mark amongst the team)



ResultsPlus
Examiner Tip

Make sure you make an overall judgement for the 25th mark!

9ECO_02_SecC

Every year about 5% of students do not indicate which question they are answering, or they change their minds and do not stick with the question. This should not be anything which alarms a candidate when they reflect on their performance! It is marked by an examiner who has been trained on both essays, and there will be no difference in terms of the quality of the marking.

Paper Summary

The most important piece of advice is to know and love macroeconomics. If you know about the real world it will be reflected in your answers, and your examiner will enjoy reading your response.

- Ensure you manage your time effectively. Spend no more than 30 minutes on Section A, preferably less, 1 hour on Section B, and 30 minutes on Section C. If candidates spend too long on Section A, they are in danger of running out of time for the 15 and 25-mark questions at the end of the exam paper.
- Candidates can answer the paper in whichever order they see fit. Candidates may find it helpful in terms of time management to start with Section B or C instead of Section A.
- A multiple-choice question is worth one mark whereas questions 7 and 8 are worth 25 marks. Bear this in mind in terms of how long you are spending on individual questions, especially in Section A. Most people run out of steam on the 12+ questions but they would do better to write less on a Section A question. Do not feel you have to use all the lines, particularly in Section A.
- Maximise your efficiency by ensuring you only answer the precise question set. For example, in Section C, question 8 is asking specifically to evaluate the factors contributing to globalisation – not what the benefits or costs of it might be.
- As part of your revision, spend time interpreting graphs. Look at the axes and think about what data the graph is showing you. If data is in percentages, this means changes between the data points would be in percentage points – something a number of candidates didn't understand on question 2(a)
- There are no marks for evaluation in Section A. Improve efficiency in time management by not including an evaluation in your answers.
- Ensure you know key formulas, such as how to calculate one number as a percentage of another number.
- When drawing diagrams remember to ensure that they are clear and have correct labels on both axes and lines.
- Ensure you carefully study and understand the figures and extracts provided in Section B. These form the context for the questions, and answers should be related to this context and not be entirely theoretical.
- Remember to keep your answers within the space provided. If you run out of space, you should ask for additional paper and clearly indicate about which question you are writing.
- There is no need to repeat the question back to the examiner. Save time and get straight on with answering the question. In 2-mark questions, for example, you can just state the answer to the question and, as long as it's correct, you will get the two marks.
- There is no need to define key terms, although of course the definitions might be useful to get you thinking in the right way. You need to ensure every minute of your time spent in an exam is earning you marks, so you can 'cut to the chase' and just answer the question, especially if you are running out of time.

- Remember that in Section B the 5 and 8-mark questions use a points-based mark scheme whereas the other questions use the levels-based mark scheme. For example, in question 6(b), the 8-mark question, there are 2 marks each for knowledge, application, analysis, and evaluation.
- To get top marks on levels-based questions you need to ensure you fulfil all the criteria for the top level (eg, KAA Level 4 on essays). If you do not have good knowledge, analysis, and application then you cannot access the top marks.

Grade boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<https://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html>

